WILLKIE FARR & GALLAGHER

PUBLIC VERSION

November 13, 2001

Andrew Stephens
Director of Steel Trade Policy
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Re: Request for Exclusion: J525 Hydraulic Tubing

Dear Mr. Stephens:

On behalf of Metalurgica de Tubos de Precisao Ltda ("MTP"), a Brazilian producer of steel products subject to the Steel 201 investigation, we respectfully request that the President exclude certain specialty tubing – defined as J525 hydraulic tubing – from any remedy that may result from this investigation. In accordance with the *Federal Register* notice, issued by the Office of the United States Trade Representative ("USTR"), we hereby submit relevant information in support of this request.[1]

1. Information Requested by the Trade Policy Staff Committee

(a) Product Designation/HTS:

J525 Hydraulic Tubing

7306.30.1000, 7306.30.5020, 7306.30.5015

(b) Product Description:

Welded tubing meeting SAE J525 specifications

[1] *See Trade Policy Staff Committee; Public Comments on Potential Action Under Section 203 of the Trade Act of 1974 With Regard to Imports of Certain Steel*, 66 Fed. Reg. 54321 (Oct. 26, 2001).

(c) Basis for Exclusion:

J525 hydraulic tubing is used in lubrication lines, hydraulic lifting devices, and automotive fuel lines. This specialty tubing product is produced in only limited quantities in the United States. Although demand is significant for hydraulic tubing, domestic producers have less incentive to produce this product. Hydraulic tubing, which is used in fluid line applications, is available in relatively small diameters, 1/4", 3/8", and 1/2" for example. Mechanical tubing, which is used in structural applications like sign posts, is available larger diameters, such as 3". Therefore, the total tonnage of mechanical tubing is greater, encouraging domestic mills to fill their capacity with mechanical tubing.

J525 hydraulic tubing has tighter tolerances and is more difficult to manufacture than mechanical tubing (also known as "drawn over a mandrel" or "DOM" tubing). Unlike other products, J525 hydraulic tubing must be "normalized" or heat-treated, straightened, and cut. In order to withstand the pressure of fluid line applications, the tubing must also meet minimum pressure ratings. Cleanliness of the tubing is critical as well; build-up inside the tubing must be minimized or risk failure or disruption of the fluid supply. Finally, the product tubing is used in motors, engines, or conveyances, and must be formed to fit into the final product. J525, therefore, must be "soft" or have good formability and ductility.

Domestic producers have been known to ignore this segment of the tubing market. U.S. mills' lead times for hydraulic tubing can reach 18-20 weeks in peak periods. In addition, U.S. mills tend to focus on large OEMs, leaving distributors and smaller purchasers without a consistent source of supply. Imports therefore are required to meet U.S. demand.

(d) Names and Location of U.S. and Foreign Producers:

Brazil: Metalurgica de Tubos de Precisao Ltda ("MTP")
France: Vallourec
Spain: Garay
Germany: Mannesman, Benteler
United States: Plymouth Tube, MetalMatic, Welded Tube of America

(e) U.S. Consumption: See Attachment A

(f) U.S. Production: See Attachment A

(g) Substitutible Products: None

2. Conclusion

As demonstrated in the submission, there is insufficient supply of J525 hydraulic tubing in the United States. This is a highly specialized product on which U.S. purchasers rely. Therefore, the USTR should conclude that no 201 remedy is required and exclude this product from any remedy.

Respectfully submitted,

William H. Barringer
Julia K. Eppard

Counsel to Metalurgica de Tubos de Precisao Ltda

ATTACHMENT A: ESTIMATED U.S. CONSUMPTION AND U.S. PRODUCTION

	Actual					***Projections***				
	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Imports from Brazil (quantity in short tons)	[									]
Imports from Brazil (value in $ landed-duty paid)	[				15,000	230,000	468,000	575,000	550,000	450,000]
U.S. Shipments (quantity in short tons)	[UNKNOWN									]
U.S. Shipments (value in $ landed-duty paid)	[UNKNOWN									]
Total U.S. Consumption (quantity = imports + U.S. shipments)	[UNKNOWN									]
Total U.S. Consumption (value = imports + U.S. shipments)	[UNKNOWN									]

NOTES: All figures are based on MTP's data. MTP does not know the volume and value of imports of this particular product from other sources. U.S. consumption data is also unavailable, although MTP is aware that there are very few welded tube manufacturers in the United States that produce tubing to SAE J525 specifications. U.S. demand is much greater than the capacity at these domestic mills and must be met by imports.